



"Does economic growth erode social capital and subjective well-being? Old question, new method"

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Abstract

The work of Easterlin questioned the relationship between economic growth and life satisfaction. Subsequent research on "Easterlin paradox" provided conflicting evidence, which suggests that the paradox holds in some conditions but not in others. However, these conditions were only rarely investigated by the literature, in part because the debate has been limited by use of country-level aggregated data. Our paper fills this gap by investigating the relationship between economic growth and life satisfaction with individual-level data. Additionally, we test the hypotheses that economic growth has positive effect on subjective well-being in the presence of high social capital and low income inequality. We use large comparative data set of World Values Survey and European Values Study. Multilevel regression allows us to estimate the effect of GDP and economic growth on individual subjective well-being, controlling for its individual-level determinants. We also test if social capital ...

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Référence bibliographique

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Does economic growth erode social capital and subjective well-being? Old question, new method

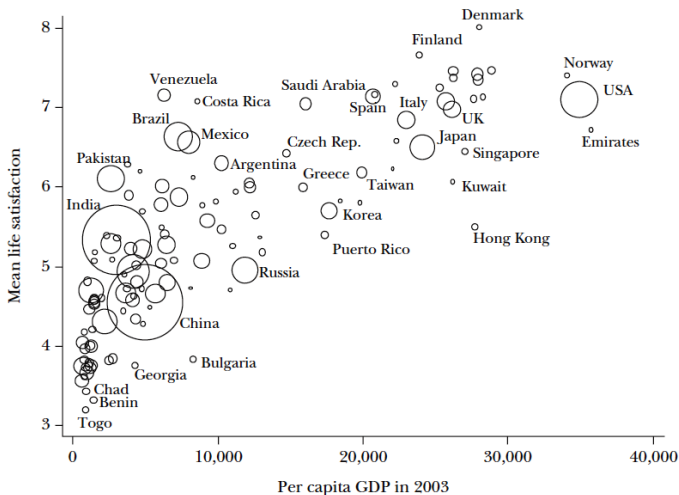
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November 15th, 2013, HSE



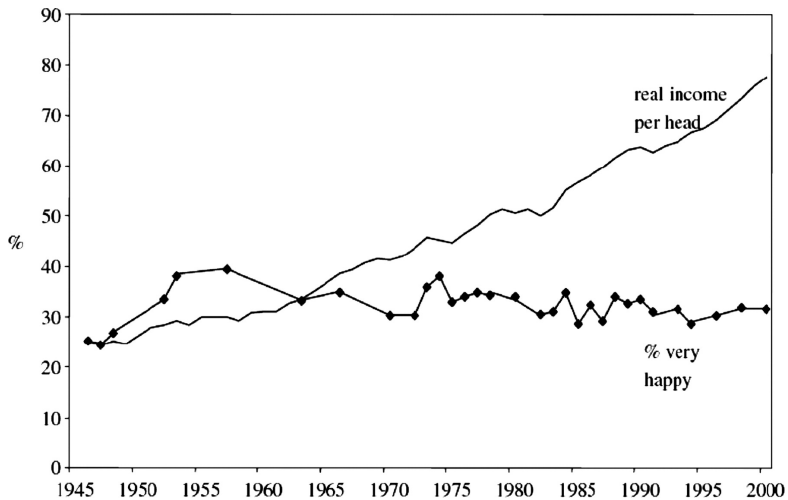


Life Satisfaction and Per Capita GDP around the World



Source: Penn World Tables 6.2.

Note: Each circle is a country, with diameter proportional to population. GDP per capita in 2003 is measured in purchasing power parity chained dollars at 2000 prices.



- ▶ The cross-sectional relationship between GDP and life satisfaction is stronger than the relationship over time
- ▶ In the long run, trends of GDP are poor predictors of life satisfaction
- ▶ In the long run, trends of social capital may be much stronger predictor of life satisfaction (Bartolini & Sarracino, 2011; Sarracino, 2013)

Conclusion

To make our counties better places to live, we should redirect the policy efforts from growing GDP to improving other aspect of social life, such as social capital



Analyses at country level:

- ▶ Use of aggregate data to speak about individuals
- ▶ Small N problem
- ▶ Very simple methodologies

Analyses of individual data:

- ▶ Confusion of levels and trends



How do we want to overcome these limitations?

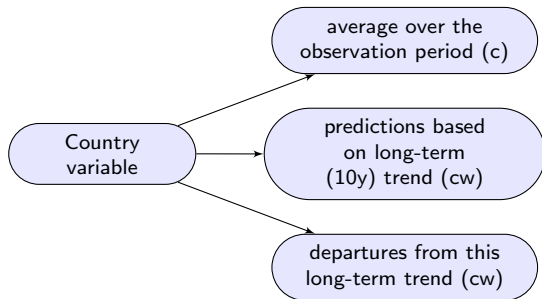
Multilevel analysis of WVS-EVS data, 3 levels:
individuals – country-waves – countries

$$LS_{ijc} = f(X_{ijc}, GDP_c, \Delta GDP_{jc}, SC_c, \Delta SC_{jc}) \quad (1)$$

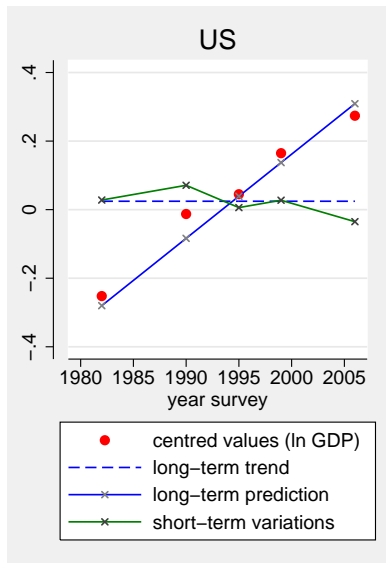
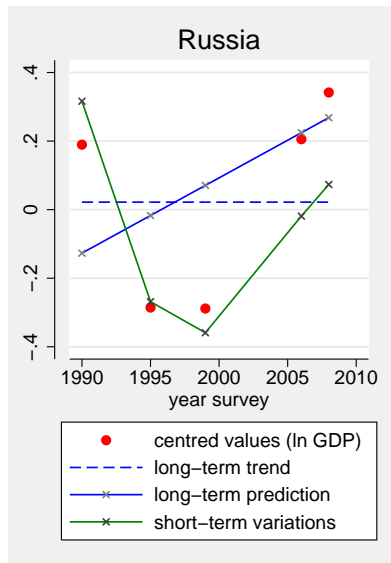
Advantages of multilevel:

- ▶ Distinguishes between individual and country levels
- ▶ Separates the effect of levels and trends / long- and short-term trends
- ▶ Uses more information than aggregated analyses, more statistical power

Decomposition of country variables



Decomposition of country variables





Thank you!